

Securing a Green Recovery post-COVID19



- Document type:** Executive summary.
- Document purpose:** Recommendations to the UK Government re: supporting a Green Recovery post-COVID-19.
- Date:** June 2020.
- Audience:** Ministers in the UK Government, officials across key departments, senior Labour stakeholders.
- Context:** This document is an Executive Summary of a larger document submitted to the UK Government (and others) in June, containing recommendations on the importance and methods of supporting a Green Recovery post-COVID-19. It was submitted ahead of the Chancellor's Summer Economic Statement.

Foreword:

We believe that the economic renewal required from COVID-19 provides a critical opportunity to drive Clean Growth, and ensure that achievement of the UK's decarbonisation requirements sit at the heart of the UK's policy framework. This paper summarises our recommendations to Government as to how they could stimulate a "green recovery" as part of their broader economic stimulus package.

Our business is committed to helping finance a green future together by supporting the transition to a sustainable, low-carbon economy, and believes that this transition is critical to helping Britain recover. Our sustainability strategy spans the UK's largest and most significant sectors, and having set out a market-leading ambition at the beginning of 2020 to help more than halve the emissions that we finance by 50% by 2030, we have a vested interest in working closely with the Government to help shape a policy framework which will support achievement of this commitment.

Areas of focus: Eight areas of focus for a green stimulus have been selected due to their alignment with the following criteria:

1. Their ability to act as job creators;
2. Attractive investments increasing UK productivity;
3. Their support of regional development, and
4. Their critical role in meeting the UK's carbon targets/ Net Zero;

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| Theme | No. | Sub-theme | Ability to create jobs | Attractive investment, increasing UK productivity | Support of regional development | Essential to meet UK's carbon reduction targets |
|------------------------------------|-----|--|------------------------|---|---------------------------------|---|
| Energy efficiency | 1. | Residential buildings | ✓ | ✓ | ✓ | ✓ |
| | 2. | SMEs | ✓ | ✓ | ✓ | ✓ |
| | 3. | Large corporates and non-residential | ✓ | ✓ | ✓ | ✓ |
| Low-carbon energy | 4. | Smart-grid technology, solar, wind and CCS | ✓ | ✓ | ✓ | ✓ |
| Greening business-support packages | 5. | Business/ sector support packages | ✓ | ✓ | ✓ | ✓ |
| Decarbonising transport | 6. | Accelerating the transition to EVs | ✓ | ✓ | ✓ | ✓ |
| | 7. | Decarbonising public transport | ✓ | ✓ | ✓ | ✓ |
| Decarbonising Agriculture | 8. | Supporting transition of UK Agriculture sector | ✓ | ✓ | ✓ | ✓ |

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Theme: Energy efficiency

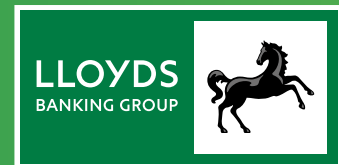
Given the importance of improving energy efficiency across the UK over the next decade and beyond, we recommended the following:

Improving energy efficiency in residential buildings

- *Tax incentives – both short and long-term – for energy efficiency retrofits:* These could apply both to individuals, as per Italy's COVID-19 recovery package where the fiscal discount for energy efficiency home refurbishments has been raised from 65% to 110% for the next 18 months, or via the introduction of new council tax treatment for energy efficiency retrofits, such as a scheme similar to the Property Assessed Clean Energy (PACE) programme in the United States.
- *Grant and guarantees:* the offering of grants to cover part of the cost of energy efficiency home improvements, and guarantees for loans to social landlords to support the funding of energy efficiency improvements.
- *Preferential Funding for the Finance Sector:* preferential funding rates that enables lenders to support clients seeking loans for the purpose of energy efficiency home improvements, assisting banks in supporting customers and passing on the financial benefit to customers who may not be eligible for grants or the ECO
- *Expansion of Energy Company Obligation (ECO) Programme:* The ECO is designed to improve the energy efficiency of the homes of vulnerable members of society and could be expanded, and it's parameters widened, to assist a more ambitious energy efficiency support package.
- *Retrofit Skills & Supply Chain Programme:* A large scale social housing retrofit programme to create skills and jobs, either focusing on specific, discreet measures or taking a whole house approach. Building skills and capacity in the green retrofit supply chain is critical.

A 'Cash for Clunkers' scheme to support energy efficiency in the home: Introduction of a 'Cash for Clunkers' scheme to incentivise the trading in of old, less energy efficient household products in favour of newly purchased energy efficient items.

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SMEs

- *Updated product standards:* Updated product standards to ensure that that lighting, heating and other equipment utilise the best available technology – with new standards reflecting an ambition to have our products to be the most energy efficient of anywhere in the world.
- *A stretching energy efficiency target for the Non-domestic Private Rented Sector:* While Government's preferred option is to require all non-domestic rented properties to achieve an EPC Band B by 2030 (where cost effective), we recommend this is enshrined as a target to support achievement of this piece of work over the decade ahead.
- *A strong Third Party Obligation, such as a Business Energy Efficiency Obligation:* Delivery of a third party obligation with sufficient ambition to delivery energy efficiency at scale.
- *A combined loan guarantee and interest rate buy-down programme:* This should be introduced and made accessible to all British banks to support SMEs with affordable, targeted energy efficiency loans. The programme could be delivered in partnership with utilities or Energy Service Companies (ESCOs) to provide the required technical expertise and awareness raising (see following bullet).
- *A programme of measures to support voluntary uptake:* Voluntary measures can deliver support the delivery of energy savings which might be more difficult to deliver through more prescriptive policies, and can help to reduce the burdens of regulation on SMEs, whether tenants, owner-occupiers or landlords.

Improving the energy efficiency of non-residential buildings

- *Loan guarantees or favourable capital treatment for green and sustainably linked loans:* These can help unlock greater financial flows to energy efficiency investments, particularly those that are still cost effective but have longer payback periods than businesses are usually willing to invest in.
- *Government subsidies/tax benefits for key energy efficiency retrofit technologies* to facilitate rapid change in commercial buildings. Government should consider subsidies or tax incentives related to the introduction or purchase of key technologies to be used to retrofit commercial properties in order to facilitate a rapid shifting in the use of energy efficiency technologies.

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- *Strengthen the Energy Savings Opportunity Scheme (ESOS)* to mandate improvements identified through the scheme, providing they pay back their investment within a reasonable timeframe.
- *Strengthen environmental-related building regulations:* Taking forward recommendations made by the UK's Green Building Council (and others) about how the Government can green the UK's non-residential building stock.
- *Update the Landlords and Tenants Act to clarify energy efficiency responsibilities:* Updates to the Landlord and Tenants act to clarify responsibilities and accountability of energy efficiency improvements and to foster collaboration between both parties to overcome the landlord/ tenant divide.

Theme: Low-carbon energy

Invest in low-carbon energy

- *A new National Renewable Energy/ Energy and Climate Plan:* An updated plan to reflect the dramatic shift to renewable energy that needs to be seen over the next 10 years to keep the UK on track towards Net Zero. To include a range of interventions including a minimum carbon price floor for emissions trade, the regulation of emissions from power plants and feed-in tariff schemes for solar and biomass.
- *Provide energy price certainty of renewables projects:* Price certainty for renewable energy projects is paramount, and while the current CFD support does provide that for new Renewables projects, it is also important to offer price certainty to mature Renewables project that will no longer benefit from previous subsidies.

Theme: 'Greening' business support packages

Ensure all business support packages are aligned with Net Zero delivery

- *Green conditionality on business support packages:* The Government should ensure that all economic stimulus packages offered to the business sector amidst this COVID-19 crisis are made with clear, environmental requirements attached, in order to ensure the UK achieves its 50% decarbonisation goal by 2030.

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Theme: Decarbonising transport

Accelerate the transition to Electric Vehicles (EVs)

- *A continuation of the EV grant programme:* Continue the grant programme committed in March, increasing the subsidy where possible, but to no more than £400m if there will be a negative impact on grants in future years. In Germany for example, the Government increased the subsidy to EVs to €6,000.
- *Support to scrap diesel vehicles:* Introduce a scrappage scheme for older, high polluting diesel vehicles, with the proceeds potentially used towards the purchase or lease of an EV, with priority given to taking 10+ year old Euro 4 and 5 vans off the road.
- *Stimulate second hand EV market:* Incentivise the transition of the second-hand car market towards electric vehicles, by extending the grants and tax treatment of new electric vehicles to second hand electric vehicles too.
- *Roll out infrastructure:* A continued execution of the Government's EV infrastructure roll-out plan, as announced in the OLEV in 2019. Priorities to include ensuring the UK charging network is reliable with easy-to-access infrastructure, there are payment options at charging points, and uniformity of charging supply, voltage and infrastructure.
- *Battery supply chain:* Consider co-investment opportunities (alongside a car company) in a new EV battery manufacturing plant. This would create new employment opportunities, help safeguard UK jobs in automotive manufacturing, boost regional growth and improve the resilience of the supply chain by ensuring the UK has some domestic battery production capacity.

Accelerate decarbonisation of UK's transport system post-COVID-19

- *Increasing the scale and ambition of the 2020 Transport Decarbonisation Plan,* prioritising the roll-out of extensive pedestrian and cycle pathways, the accelerated decarbonisation of public buses (including hybrid, hydrogen, biogas and fully electric), and ensuring that low-carbon technology is at the heart of all transport infrastructure projects going forward, such as HS2 and the rail network.

Theme: Decarbonising Agriculture

Create and implement a targeted plan to reduce emissions from Agriculture

- *The creation of a tailored Agriculture transition strategy,* created utilising the best knowledge and examples of low-carbon farming practices available. The CCC have produced guidance on key focus areas, which should be turned into a holistic plan. The outcomes of the plan should include a marked increase in tree planting, the increased uptake of low-carbon farming practices such as 'controlled-release' fertilisers and low-carbon farming technology, and the use of less carbon-intensive productive systems.